

WINTERSET COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

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Winterset Community School District
Board of Education and School District Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jeff Nicholl	President	2017
Karen Brookhart	Vice-President	2017
Brenda Clifton	Board Member	2019
Kelly Cain	Board Member	2019
James Baur	Board Member	2019
School District Officials		
Dr. Susie Meade	Superintendent	2016
Cammy Leners	Business Manager/Board Secretary	2016
Ahlers Law Firm	Attorney	Indefinite



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education of
Winterset Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District at June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 10 to the financial statements, Winterset Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 45 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winterset Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2009, and we audited the financial statements for the five years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of the Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winterset Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 24, 2015

The Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 Financial Highlights

- General Fund revenues increased from \$18,402,422 in fiscal 2014 to \$18,791,324 in fiscal 2015, while General Fund expenditures increased from \$16,995,883 in fiscal 2014 to \$17,785,403 in fiscal 2015. This resulted in an increase of \$1,005,921 in the District's General Fund balance from \$3,305,669 in fiscal 2014 to \$4,311,590 in fiscal 2015.
- The 2% increase in General Fund revenues was largely attributable to the 4% increase in the state "cost per pupil", the new Teacher Leadership Compensation (TLC) grant and offset by a decrease in the general fund tax levy from \$14.50 in fiscal 2014 to \$13.55 in fiscal 2015.
- The increase in General Fund expenditures of 4.65% was attributable to salary and benefit increases as well as technology and curriculum purchases. The District will continue to strictly monitor spending as it continues to strengthen its' financial position.
- Certified enrollment (October 2014 headcount) increased by 9 students, continuing our trend of slow but steady growth.
- Early Retirement was offered by the Board, consisting of a one-time payment equal to 10% of base salary and notification of retirement required on or before December 1, 2014. This allowed the District early entry into the job market not only to replace retirees, but to fill the eight positions created by the teacher leadership compensation (TLC) grant.
- Moody's Investors Service upgraded Winterset Community School District general obligation unlimited tax (GOULT) rating to A1 from A2 in May 2015.
- The Governmental Accounting Standards Board (GASB) statement number 68 "Accounting and Financial Reporting for Pensions" was implemented during fiscal year 2015 and requires the District to recognize a net pension liability. This makes comparisons with prior fiscal years difficult as prior years have not been restated.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Winterset Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winterset Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winterset Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

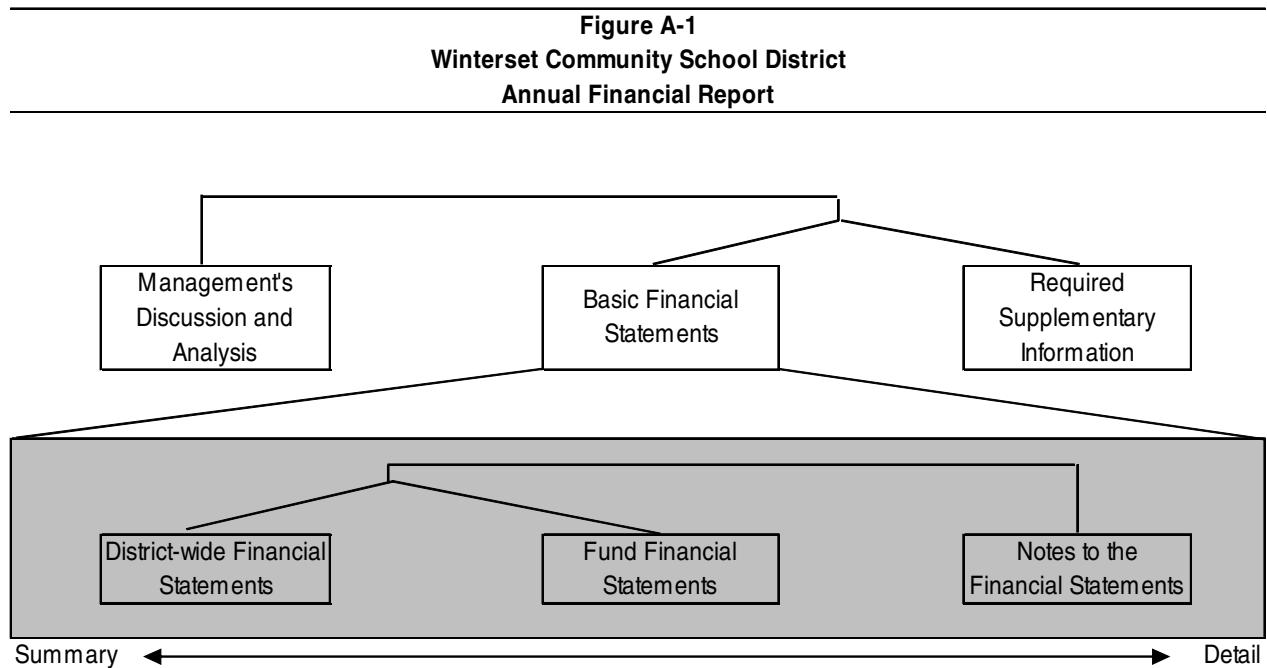


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of Net Position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of Net Position * Statement of revenues, expenses and changes in fund Net Position * Statement of cash flows	* Statement of fiduciary Net Position * Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Student Construction	Special Projects

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows or resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *Net Position* and how they have changed. Net Position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's Net Position are an indicator of whether financial position is improving or deteriorating. However, comparisons are difficult in this report due to GASB #68 "Accounting and Financial Pension Reporting" requirement in fiscal 15 while neither required or restated for fiscal 14. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, administration and facility improvements. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the School Construction Fund. The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- ◆ **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency Funds.
 - **Private-Purpose Trust Fund** – The District accounts for outside donations for scholarships for individual students in this fund. There are currently 8 scholarship trust funds: V Smith, Harpole, Hendricks, See, Newton, Dorrell, Schwertfegerr and McGuiness .
 - **Agency Fund-** These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District organizations and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's Net Position at June 30, 2015 compared to June 30, 2014.

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business type activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2014	2014	2014	2014	2014	
	(Not	(Not	(Not	(Not	(Not	(Not	
	restated)	restated)	restated)	restated)	restated)	restated)	
	2015	2015	2015	2015	2015	2015	2014-2015
Current assets	\$ 19,767,765	17,535,208	357,420	317,949	20,125,185	17,853,157	12.7%
Noncurrent assets	24,743,302	24,931,130	-	14,275	24,743,302	24,945,405	-0.8%
Total assets	44,511,067	42,466,338	357,420	332,224	44,868,487	42,798,562	4.8%
Deferred outflows of resources	1,416,482	-	27,327	-	1,443,809	-	-
Current liabilities	3,302,069	2,755,426	40,449	21,599	3,342,518	2,777,025	20.4%
Noncurrent liabilities	21,701,298	15,904,718	-	-	21,701,298	15,904,718	36.4%
Total liabilities	25,003,367	18,660,144	40,449	21,599	25,043,816	18,681,743	34.1%
Deferred inflows of resources	10,629,421	7,955,609	-	-	10,629,421	7,955,609	33.6%
Net Position:							
Invested in capital assets,							
net of related debt	9,618,613	9,034,678	27,327	14,275	9,645,940	9,048,953	6.6%
Nonspendable for Inventory	13,700	27,400	-	-	13,700	27,400	n/a
Restricted	5,398,032	4,576,906	-	-	5,398,032	4,576,906	17.9%
Unrestricted	(4,735,584)	2,211,601	289,644	296,350	(4,445,940)	2,507,951	-277.3%
Total Net Position	\$ 10,294,761	15,850,585	316,971	310,625	10,611,732	16,161,210	-34.3%

**Winterset Community School District
Management's Discussion and Analysis
June 30, 2015**

The District's combined Net Position decreased by 34.3% or \$5,549,478.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$8,715,457 and \$0, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

The largest portion of the district's Net Position is invested in capital assets (e.g. land infrastructure, buildings and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets.

Restricted Net Position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted Net Position increased \$821,126 or 17.9% over the prior year.

Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$6,953,891 or 277.3%. This decrease in unrestricted Net Position was primarily a result of GASB 68 net pension liability reporting not required or restated for fiscal 2014.

Figure A-4 shows the change in Net Position for the year ended June 30, 2015 as compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2014		2014		2014		
	(Not		(Not		(Not		
	2015		2015		2015		2014-2015
	restated)		restated)		restated)		
Revenues:							
Program revenues:							
Charges for service	\$ 1,206,567	1,477,388	528,821	521,451	1,735,388	1,998,839	-13.2%
Operating grants, contributions and restricted interest	3,264,370	2,798,858	412,744	394,819	3,677,114	3,193,677	15.1%
General revenues:							
Property tax	8,100,651	8,093,036	-	-	8,100,651	8,093,036	0.1%
Statewide sales and service tax	1,598,945	1,497,141	-	-	1,598,945	1,497,141	6.8%
Unrestricted state grants	8,471,255	8,123,881	-	-	8,471,255	8,123,881	4.3%
Unrestricted investment earnings	6,606	6,497	118	118	6,724	6,615	1.6%
Other	127,788	80,022	-	-	127,788	80,022	59.7%
Total revenues	22,776,182	22,076,823	941,683	916,388	23,717,865	22,993,211	3.2%
Program expenses:							
Governmental activities:							
Instruction	\$ 11,879,267	12,401,869	153,691	134,411	12,032,958	12,536,280	-4.0%
Support services	5,792,668	5,447,343	-	-	5,792,668	5,447,343	6.3%
Non-instructional programs	-	-	781,646	737,244	781,646	737,244	6.0%
Other expenses	1,944,594	1,421,305	-	-	1,944,594	1,421,305	36.8%
Total expenses	19,616,529	19,270,517	935,337	871,655	20,551,866	20,142,172	2.0%
Change in Net Position	\$ 3,159,653	2,806,306	6,346	44,733	3,165,999	2,851,039	11.0%

**Winterset Community School District
Management's Discussion and Analysis
June 30, 2015**

In fiscal 2015, property tax, statewide sales, services and use tax, and unrestricted state grants account for 80% of the total revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$23,590,077, of which \$22,648,394 was for governmental activities and \$941,683 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.6% increase in revenues and a 2.0% increase in expenses. The increase in revenues was primarily due to an increase in State funding in the General fund. The increase in expenses was primarily related to facility expenditures from the capital projects fund.

Governmental Activities

Revenues for governmental activities were \$22,776,182 and expenses were \$19,616,529.

The following table in Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	Change		2014	Change	
	2015	(Not restated)	2015-2014	2015	(Not restated)	2014-2015
Instruction	\$ 11,879,267	12,401,869	-4.2%	8,108,353	8,786,747	-7.7%
Support services	5,792,688	5,447,343	6.3%	5,776,504	5,437,613	6.2%
Noninstructional programs	-	-	0.0%	-	-	0.0%
Other expenses	1,944,594	1,421,305	36.8%	1,260,755	769,911	63.8%
Totals	\$ 19,616,549	19,270,517	1.8%	15,145,612	14,994,271	1.0%

- The cost financed by users of the District's programs was \$1,206,567.
- Federal and state government subsidized certain programs with grants and capital contributions totaling \$3,264,370.
- The net cost of governmental activities was financed with \$8,100,651 in local tax, \$1,598,945 in statewide sales, services and use tax, \$8,471,255 in unrestricted state grants and \$6,606 in interest income.

Business Type Activities

Revenues for business type activities were \$941,683 and expenses were \$935,337. The District's business type activities include the School Nutrition and Student Construction Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$9,778,355, compared to last year's ending fund balances of \$7,985,243.

Governmental Fund Highlights

- The District's increase in its General Fund financial position from \$3,305,669 to \$4,311,590 is the product of many factors including an increase in State funding, a cash reserve levy and restricted discretionary spending.
- Capital Projects Fund balance increased from \$2,124,918 in fiscal 2014 to \$2,834,769 in fiscal 2015 due to a new voter approved property plant and equipment levy less scheduled facility projects. General Obligation and Revenue Bonds to fund construction were issued in prior fiscal years.

Proprietary Fund Highlights

The Proprietary Fund Net Position increased from \$310,625 at June 30, 2014 to \$316,971 at June 30, 2015, representing an increase of 2%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$156,251 less than budgeted revenues, a variance of less than 1%.

Total expenditures were \$2,636,169 less than budgeted, due primarily to the District's General Fund budget. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$24,605,940, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of .7% from last year. More detailed information about the District's capital assets is presented in the notes to the financial statements. Depreciation expense for the year was \$1,054,607.

The original cost of the District's capital assets was \$37 million. Governmental funds account for \$36,776,536 with the remainder of \$280,610 in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 457,901	457,901	-	-	457,901	457,901	0.0%
Buildings	22,326,386	22,496,515	-	-	22,326,386	22,496,515	-0.8%
Improvements other than buildings	1,025,683	1,111,002	-	-	1,025,683	1,111,002	-7.7%
Furniture and equipment	768,643	689,260	27,327	14,275	795,970	703,535	13.1%
Totals	\$ 24,578,613	24,754,678	27,327	14,275	24,605,940	24,768,953	-0.7%

Long Term Debt

At June 30, 2015, the District has \$22,608,613 in general obligation and other long-term debt outstanding. This represents an increase of approximately 34.3% percent from last year due to the new regulations regarding reporting pension liability. (See Figure A-7) Additional information about the District's long-term debt is presented in the notes to the financial statements.

Figure A-7 Outstanding Long-Term Obligations			
	June 30,		Change
	2015	2014	2014-2015
General obligation bonds	\$ 9,355,000	9,875,000	-5.3%
Revenue bonds	5,605,000	5,845,000	-4.1%
Early retirement	245,496	392,081	-37.4%
Compensated absences	62,384	80,140	-22.2%
Net pension liability	6,714,324	-	-
Other postemployment benefits	626,409	643,000	-2.6%
Totals	\$ 22,608,613	16,835,221	34.3%

As of June 30, 2015, the District had outstanding general obligation bonds of \$9,355,000, outstanding revenue bonds of \$5,605,000, outstanding early retirement benefits of \$245,496 payable from the Special Revenue, Management Fund, outstanding compensated absences of \$62,384 payable from the General Fund, net pension liability of \$6,714,324 and net OPEB liability of \$626,409.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for certified staff and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of "new money" or growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Iowa legislature set allowable growth for FY16 at only 1.25% and at the time of this report, had not yet set the FY17 rate.
- Certified enrollment (October 1, 2015) for fiscal 2017 funding was 1723, a decrease of 3 students from October 1, 2014. We believe this to be an anomaly attributed to the unusually large graduating class of 2015. The District has employed a demographer to assist with enrollment forecasting.
- Net Taxable valuations for the District rose 2.9862% for fiscal 16.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Cammy Leners, Business Manager/Board Secretary, Winterset Community School District, 110 W. Washington, P.O. Box 30, Winterset, Iowa, 50273-0030.

Basic Financial Statements

Winterset Community School District
Statement of Net Position
June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,235,935	315,205	11,551,140
Receivables:			
Property tax:			
Delinquent	91,015	-	91,015
Succeeding year	7,456,666	-	7,456,666
Income surtax	358,927	-	358,927
Accounts	5,380	2,990	8,370
Due from other governments	605,779	5,973	611,752
Inventories	13,700	5,925	19,625
Prepaid Expenses	363	-	363
Total current assets	19,767,765	330,093	20,097,858
Noncurrent assets:			
Deferred bond costs	164,689	-	164,689
Capital assets, net of accumulated depreciation	24,578,613	27,327	24,605,940
Total capital assets	24,578,613	27,327	24,605,940
Total noncurrent assets	24,743,302	27,327	24,770,629
Total assets	\$ 44,511,067	357,420	44,868,487
Deferred Outflow of Resources			
Pension related deferred outflows	1,416,482	-	1,416,482
Liabilities			
Current liabilities:			
Accounts payable	\$ 524,509	20,315	544,824
Salaries and benefits payable	1,595,690	-	1,595,690
Accrued interest payable	179,391	-	179,391
Due to other governments	53,639	-	53,639
Advances from prepaid lunches	-	20,134	20,134
Revenue bonds payable	250,000	-	250,000
General obligation bonds payable	540,000	-	540,000
Compensated absences	62,384	-	62,384
Early retirement	96,456	-	96,456
Total current liabilities	3,302,069	40,449	3,342,518
Noncurrent liabilities:			
General obligation bonds payable	8,815,000	-	8,815,000
Revenue bonds payable	5,355,000	-	5,355,000
Early retirement	149,040	-	149,040
Bond premium	41,525	-	41,525
Net pension liability	6,714,324	-	6,714,324
Other post employment benefits	626,409	-	626,409
Total noncurrent liabilities	21,701,298	-	21,701,298

Exhibit A

Winterset Community School District
Statement of Net Position
June 30, 2015

	Governmental Activities	Business Type Activities	Total
Total liabilities	25,003,367	40,449	25,043,816
Deferred Inflows of Resources			
Unavailable property tax revenue	7,456,666	-	7,456,666
Income surtax	358,927	-	358,927
Pension related deferred inflows	2,813,828	-	2,813,828
Total deferred inflows of resources	10,629,421	-	10,629,421
Net Position			
Net investment in capital assets	9,618,613	27,327	9,645,940
Nonspendable for:			
Inventory	13,700	-	13,700
Restricted for:			
Management levy purposes	1,692,877	-	1,692,877
Physical plant and equipment	721,335	-	721,335
Student activities	191,852	-	191,852
School infrastructure	1,578,413	-	1,578,413
Debt service	1,089,176	-	1,089,176
Categorical funding	124,379	-	124,379
Unrestricted	(4,735,584)	289,644	(4,445,940)
Total net position	\$ 10,294,761	316,971	10,611,732

See notes to financial statements.

Winterset Community School District
Statement of Activities
Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 7,730,018	820,511	2,131,829	(4,777,678)	-	(4,777,678)
Special	2,844,727	153,090	419,646	(2,271,991)	-	(2,271,991)
Other	1,304,522	221,672	24,166	(1,058,684)	-	(1,058,684)
	11,879,267	1,195,273	2,575,641	(8,108,353)	-	(8,108,353)
Support Service:						
Student	570,541	-	-	(570,541)	-	(570,541)
Instructional staff	1,344,870	-	-	(1,344,870)	-	(1,344,870)
Administration	1,372,991	-	-	(1,372,991)	-	(1,372,991)
Operating and maintenance of plant	1,619,287	-	-	(1,619,287)	-	(1,619,287)
Transportation	884,999	11,294	4,890	(868,815)	-	(868,815)
	5,792,688	11,294	4,890	(5,776,504)	-	(5,776,504)
Other expenditures:						
Facilities acquisition	624,257	-	-	(624,257)	-	(624,257)
Long-term debt interest	636,498	-	-	(636,498)	-	(636,498)
AEA flowthrough	683,839	-	683,839	-	-	-
	1,944,594	-	683,839	(1,260,755)	-	(1,260,755)
Total governmental activities	19,616,549	1,206,567	3,264,370	(15,145,612)	-	(15,145,612)
Business type activities:						
Instructional programs						
Student construction services	153,691	153,691	-	-	-	-
Non-instructional programs:						
Nutrition services	781,646	375,130	412,744	-	6,228	6,228
Total business type activities	935,337	528,821	412,744	-	6,228	6,228
Total primary government	\$ 20,551,886	1,735,388	3,677,114	(15,145,612)	6,228	(15,139,384)

Winterset Community School District
Statement of Activities
Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals continued from previous pages	\$ 20,551,886	1,735,388	3,677,114	(15,145,612)	6,228	(15,139,384)
General Revenues:						
Property tax levied for:						
General purposes				6,417,329	-	6,417,329
Debt service				945,728	-	945,728
Capital outlay				737,594	-	737,594
Statewide sales and services tax				1,598,945	-	1,598,945
Unrestricted state grants				8,471,255	-	8,471,255
Unrestricted investment earnings				6,606	118	6,724
Contributions not restricted to specific programs				49,032	-	49,032
Other				78,756	-	78,756
Total general revenues				18,305,245	118	18,305,363
Change in net position				3,159,633	6,346	3,165,979
Net position beginning of year, as restated				7,135,128	310,625	7,445,753
Net position end of year				\$ 10,294,761	316,971	10,611,732

See notes to financial statements.

Winterset Community School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments	\$ 5,946,708	736,702	2,670,670	1,881,855	11,235,935
Receivables:					
Property tax:					
Current year delinquent	66,703	10,538	8,219	5,555	91,015
Succeeding year	4,952,232	1,430,053	746,309	328,072	7,456,666
Income surtax	358,927	-	-	-	358,927
Accounts	4,882	-	-	498	5,380
Due from activity fund	321	-	-	-	321
Due from other governments	312,328	7	292,770	674	605,779
Prepaid Expenses	363	-	-	-	363
Residential Building Lots	-	-	13,700	-	13,700
Total assets	\$ 11,642,464	2,177,300	3,731,668	2,216,654	19,768,086
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 370,391	-	150,591	3,527	524,509
Salaries and benefits payable	1,595,685	-	-	5	1,595,690
Due to general fund	\$ -	-	-	321	321
Due to other governments	53,639	-	-	-	53,639
Total liabilities	2,019,715	-	150,591	3,853	2,174,159
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,952,232	1,430,053	746,309	328,072	7,456,666
Income surtax	358,927	-	-	-	358,927
Other	-	-	-	-	-
Total deferred inflows of resources	5,311,159	1,430,053	746,309	328,072	7,815,593
Fund balances:					
Nonspendable for:					
Inventory	-	-	13,700	-	13,700
Restricted for:					
Categorical funding	124,379	-	-	-	124,379
Debt service	-	747,247	521,320	-	1,268,567
Management levy purposes	-	-	-	1,692,877	1,692,877
Student activities	-	-	-	191,852	191,852
School infrastructure	-	-	1,578,413	-	1,578,413
Physical plant and equipment	-	-	721,335	-	721,335
Unassigned	4,187,211	-	-	-	4,187,211
Total fund balances	4,311,590	747,247	2,834,768	1,884,729	9,778,334
Total liabilities, deferred inflows of resources and fund balances	\$ 11,642,464	2,177,300	3,731,668	2,216,654	19,768,086

See notes to financial statements.

Exhibit D

**Winterset Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2015**

Total fund balances of governmental funds (Exhibit C)	\$ 9,778,334
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	24,578,613
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(179,391)
--	-----------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,416,482	
Deferred inflows of resources	(2,813,828)	(1,397,346)

Long-term liabilities, including bonds payable, early retirement, compensated absences, bond discounts and premiums, net pension liability and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(22,485,449)
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Net position of governmental activities (Exhibit A)	\$ 10,294,761
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See notes to financial statements.

Exhibit E

Winterset Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2015

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 5,903,584	937,695	731,328	459,399	8,032,006
Tuition	845,940	-	-	-	845,940
Other	235,520	116	5,753	233,148	474,537
State sources	11,273,792	8,034	1,605,211	4,174	12,891,211
Federal sources	512,005	-	-	-	512,005
Total revenues	18,770,841	945,845	2,342,292	696,721	22,755,699
Expenditures:					
Current:					
Instruction:					
Regular	7,523,738	-	224,264	204,515	7,952,517
Special	2,939,566	-	-	-	2,939,566
Other	983,606	-	-	211,239	1,194,845
	11,446,910	-	224,264	415,754	12,086,928
Support services:					
Student	584,481	-	-	-	584,481
Instructional staff	1,342,696	-	64,461	-	1,407,157
Administration	1,543,415	-	-	14,256	1,557,671
Operation and maintenance of plant	1,465,944	-	-	172,815	1,638,759
Transportation	718,118	-	239,072	39,626	996,816
	5,654,654	-	303,533	226,697	6,184,884
Other expenditures:					
Facilities acquisition	-	-	624,257	-	624,257
Long-term debt:					
Principal	-	760,000	-	-	760,000
Interest	-	640,683	-	-	640,683
Fiscal charges	-	1,000	1,500	-	2,500
AEA flowthrough	683,839	-	-	-	683,839
	683,839	1,401,683	625,757	-	2,711,279
Total expenditures	17,785,403	1,401,683	1,153,554	642,451	20,983,091
Excess (deficiency) of revenues over (under) expenditures	985,438	(455,838)	1,188,738	54,270	1,772,608

Exhibit E

Winterset Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2015

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
Proceeds from sale of assets	20,483	-	-	-	20,483
Operating transfers in	-	478,888	-	-	478,888
Operating transfers out	-	-	(478,888)	-	(478,888)
Total other financing sources (uses)	20,483	478,888	(478,888)	-	20,483
Net change in fund balances	1,005,921	23,050	709,850	54,270	1,793,091
Fund balances beginning of year	3,305,669	724,197	2,124,918	1,830,459	7,985,243
Fund balances end of year	\$ 4,311,590	747,247	2,834,768	1,884,729	9,778,334

See notes to financial statements.

Winterset Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2015

Net change in fund balances - total governmental funds (Exhibit E) **\$ 1,793,091**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 422,978	
Depreciation expense	(599,043)	(176,065)

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. The amounts of long-term liabilities issued and repaid are as follows:

Repaid	760,000	
Amortization of premiums and bond issuance costs	(8,797)	751,203

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

6,685

The current year District employer share of IPERS contribution are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position

1,047,192

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	146,585	
Compensated absences	17,756	
Pension expense	(443,405)	
Other postemployment benefits	16,591	(262,473)

Change in net position of governmental activities (Exhibit B) **\$ 3,159,633**

See notes to financial statements.

Winterset Community School District
Statement of Net Position
Proprietary Funds
June 30, 2013

	Non-major Enterprise Fund
Assets	
Current assets:	
Cash and investments	\$ 315,205
Receivables:	
Accounts	2,990
Intergovernmental	5,973
Inventories	5,925
Total current assets	330,093
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	280,610
Accumulated depreciation	(253,283)
Total noncurrent assets	27,327
Total assets	357,420
Deferred Outflows of Resources	
Pension related deferred outflows	-
Liabilities	
Current liabilities:	
Accounts payable	20,315
Advances from prepaid lunches	20,134
Total current assets	40,449
Noncurrent liabilities:	
Net pension liability	-
Total noncurrent assets	-
Total liabilities	40,449
Deferred Inflows of Resources	
Pension related deferred inflows	-
Net Position	
Net Investment in capital assets	27,327
Unrestricted	289,644
Total net position	316,971
Total liabilities and net position	\$ 357,420

See notes to financial statements.

Exhibit H

Winterset Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Non-major Enterprise Fund
Operating revenue:	
Local sources:	
Other local sources:	
Food service sales	\$ 375,130
Other operating revenue	153,691
Total operating revenues	<u>528,821</u>
Operating expenses:	
Instructional programs:	
Support services:	
Services	153,186
Supplies	505
	<u>153,691</u>
Non-instructional programs:	
Food services operations:	
Services	368,020
Supplies	406,394
Depreciation	7,232
	<u>781,646</u>
Total operating expenses	<u>935,337</u>
Operating loss	(406,516)
Non-operating revenue:	
Interest on investments	118
State lunch and breakfast program claims	6,541
National School Lunch Program	283,050
School Breakfast Program	43,474
Summer Food Service Program	14,588
Federal food commodities revenue	65,091
Total non-operating revenues	<u>412,862</u>
Change in net position	6,346
Net position beginning of year	<u>310,625</u>
Net position end of year	<u><u>\$ 316,971</u></u>

See accompanying independent auditor's report.

Exhibit I

Winterset Community School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Non-major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 389,726
Cash received from miscellaneous operating activities	153,691
Cash payments to suppliers for goods or services	(844,324)
Net cash used by operating activities	<u>(300,907)</u>
Cash flows from non-capital financing activities:	
State grants received	6,541
Federal grants received	341,112
Net cash provided by non-capital financing activities	<u>347,653</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(20,284)
Net cash provided by non-capital financing activities	<u>(20,284)</u>
Cash flows from investing activities:	
Interest on investments	<u>118</u>
Net increase in cash and cash equivalents	26,580
Cash and cash equivalents at beginning of year	<u>288,625</u>
Cash and cash equivalents at end of year	<u><u>\$ 315,205</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (406,516)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Commodities received	65,091
Depreciation	7,232
Decrease in accounts receivable	6,393
Decrease in intergovernmental receivable	3,861
Decrease in inventories	4,182
Increase in accounts payable	18,690
Increase in advances from prepaid lunches	160
Net cash used by operating activities	<u><u>\$ (300,907)</u></u>
Reconciliation of cash and cash equivalents at year end to	
specific assets included on Statement of Net Position:	
Current assets:	
Cash and investments	\$ 315,205
Cash and cash equivalents at year end	<u><u>\$ 315,205</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received federal commodities valued at \$65,091.

See notes to financial statements.

Exhibit J

Winterset Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Current assets:		
Cash and pooled investments	\$ 291,588	30,591
Accounts receivable	120	5,521
Total assets	291,708	36,112
Liabilities		
Current liabilities:		
Accounts payable	-	36,112
Total liabilities	-	36,112
Net Position		
Held in trust for scholarships and special projects	291,708	-
Total net position	\$ 291,708	-

See notes to financial statements.

Exhibit K

Winterset Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	1,672
Total additions	1,672
Deductions:	
Instruction:	
Services	8,348
Change in net position	(6,676)
Net position beginning of year	298,384
Net position end of year	\$ 291,708

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Winterset, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Enterprise, Student Construction Fund is used to account for transactions related to the Student Construction program.

The District reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agency for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances - Proceeds received by the District for which services will be rendered in a succeeding fiscal year, such as prepaid lunch money.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement in Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts not available for expenditure.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments as follows:

Farmers & Merchants State Bank Certificates of Deposit	\$	160,023
Union State Bank Certificate of Deposit		110,244
Iowa Schools Joint Investment Trust:		
Diversified portfolio (amortized cost)		9,421,994
	\$	<u>9,692,261</u>

At June 30, 2015, the District had investments in the Iowa School Joint Investment Trust Direct government Obligations Portfolio which are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>478,888</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 457,901	-	-	457,901
Construction in progress	-	-	-	-
Total capital assets not being depreciated	457,901	-	-	457,901
Capital assets being depreciated:				
Buildings	30,125,744	502,386	-	30,628,130
Land improvements	2,210,070	-	-	2,210,070
Machinery and equipment	3,559,844	368,925	448,333	3,480,436
Total capital assets being depreciated	35,895,658	871,311	448,333	36,318,636
Less accumulated depreciation for:				
Buildings	7,629,229	672,515		8,301,744
Land improvements	1,099,068	85,319		1,184,387
Machinery and equipment	2,870,584	289,542	448,333	2,711,793
Total accumulated depreciation	11,598,881	1,047,376	448,333	12,197,924
Total capital assets being depreciated, net	24,296,777	(176,065)	-	24,120,712
Governmental activities capital assets, net	\$ 24,754,678	(176,065)	-	24,578,613
Business type activities:				
Machinery and equipment	\$ 275,986	20,283	15,659	280,610
Less accumulated depreciation	261,711	7,231	15,659	253,283
Business type activities capital assets, net	\$ 14,275	13,052	-	27,327

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 713,680
Other	138,042

Support services:

Administration	3,000
Business Administration	5,225
Operation and maintenance of plant	28,264
Transportation	159,164

Total depreciation expense - governmental activities	\$ 1,047,375
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Business type activities:

Food services	\$ 7,231
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,875,000	-	520,000	9,355,000	540,000
Revenue bonds	5,845,000	-	240,000	5,605,000	250,000
Early retirement	392,081	141,956	288,541	245,496	96,456
Compensated absences	80,140	62,384	80,140	62,384	62,384
Net pension liability	9,704,753	-	2,990,429	6,714,324	-
Net OPEB liability	643,000	81,409	98,000	626,409	-
	<u>\$ 26,539,974</u>	<u>285,749</u>	<u>4,217,110</u>	<u>22,608,613</u>	<u>948,840</u>

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Bond Issue of July 1, 2008				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	5.00%	\$ 410,000	286,368	696,368
2017	5.00%	430,000	265,867	695,867
2018	5.00%	445,000	244,368	689,368
2019	3.75%	465,000	222,118	687,118
2020	3.80%	485,000	204,680	689,680
2021	3.85%	505,000	186,250	691,250
2022	3.90%	525,000	166,808	691,808
2023	3.95%	545,000	146,333	691,333
2024	4.00%	565,000	124,805	689,805
2025	4.05%	590,000	102,205	692,205
2026	4.10%	610,000	78,310	688,310
2027	4.10%	635,000	53,300	688,300
2028	4.10%	665,000	27,265	692,265
Total		<u>\$ 6,875,000</u>	<u>2,108,675</u>	<u>8,983,675</u>

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	4.00%	\$ 130,000	103,315	233,315
2017	4.00%	135,000	98,115	233,115
2018	4.00%	140,000	92,715	232,715
2019	4.00%	150,000	87,115	237,115
2020	4.00%	155,000	81,115	236,115
2021	4.00%	160,000	74,915	234,915
2022	4.05%	170,000	68,515	238,515
2023	4.05%	180,000	61,630	241,630
2024	4.10%	185,000	54,340	239,340
2025	4.10%	195,000	46,755	241,755
2026	4.30%	205,000	38,760	243,760
2027	4.30%	215,000	29,945	244,945
2028	4.50%	225,000	20,700	245,700
2029	4.50%	235,000	10,575	245,575
Total		<u>\$ 2,480,000</u>	<u>868,510</u>	<u>3,348,510</u>

Revenue Bonds

Details of the District's June 30, 2015 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	3.00%	\$ 250,000	225,138	475,138
2017	3.00%	260,000	217,488	477,488
2018	3.25%	270,000	209,200	479,200
2019	3.50%	280,000	199,913	479,913
2020	3.65%	290,000	189,720	479,720
2021	3.75%	305,000	178,709	483,709
2022	3.90%	320,000	166,750	486,750
2023	4.00%	335,000	153,810	488,810
2024	4.10%	355,000	139,833	494,833
2025	4.25%	370,000	124,693	494,693
2026	4.35%	390,000	108,348	498,348
2027	4.40%	410,000	90,845	500,845
2028	4.55%	435,000	72,038	507,038
2029	4.60%	455,000	51,785	506,785
2030	4.65-4.75%	880,000	30,160	910,160
Total		\$ 5,605,000	2,158,426	7,763,426

The District has pledged statewide sales, services and use tax revenues to repay the \$6,325,000 bonds issued in November, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$7,763,426. For the current year, \$240,000 of principal and \$232,488 of interest was paid.

Total statewide sales, services and use tax revenues were \$1,598,945.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$521,330 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District does not offer an early retirement plan each year. The District offered a voluntary early retirement plan to its employees in 2015. Eligible employees were at least 55 years old on June 30 and employees completed 10 years of continuous service to the District. Employees completed an application which was required to be approved by the Board of Education.

The early retirement incentive offered in 2015 for each eligible employee was equal to 10% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits were paid by the Special Revenue, Management Levy Fund.

At June 30, 2015, the District has obligations to 26 participants with a total liability of \$245,496. Actual early retirement expenditures for the year ended June 30, 2015, totaled \$175,156. The government-wide financial statements include twelve months as a current liability for early retirement.

(6) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 161 active and 10 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	78,000
Interest on net OPEB obligation		28,935
Adjustment to annual required contribution		(25,526)
Annual OPEB cost		81,409
Contributions made		(98,000)
Increase in net OPEB obligation		(16,591)
Net OPEB obligation beginning of year		643,000
Net OPEB obligation end of year	\$	626,409

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2013. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2015, the District contributed \$98,104. Retiree and active members receiving benefits contributed \$34,000 through their required contribution for single and family health coverage combined, depending on which of the two plans offered by the District the employee participated in.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 83,000	118.07%	\$ 643,000
June 30, 2015	81,409	120.38%	626,409

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2016, the actuarial accrued liability was \$806,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$806,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,750,790, and the ratio of the UAAL to covered payroll was 7.5%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$798 per month for retirees who have not attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension Plan

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012.

For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,047,192.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$6,714,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.165905 percent, which was a decrease of 0.005496 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$603,787. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,972	-
Changes of assumptions	296,318	-
Net difference between projected and actual earnings on pension plan investments	-	2,560,650
Changes in proportion and differences between District contributions and proportionate share of contributions	-	253,178
District contributions subsequent to the measurement date	1,047,192	-
Total	<u>\$ 1,416,482</u>	<u>2,813,828</u>

Winterset Community School District
Notes to Financial Statements
June 30, 2015

\$1,047,192 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2016	\$ (613,034)
2017	(613,034)
2018	(613,034)
2019	(613,034)
2020	7,596
	<u>\$ (2,444,538)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 12,686,526	\$ 6,714,324	\$ 72,972

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$115,327 for legally required employer contributions and \$76,845 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Risk Management

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$683,839 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change/Restatement

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2015, as previously reported	\$ 15,850,585	310,625
Net pension liability at June 30, 2015	(9,704,753)	-
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	989,296	-
Net position July 1, 2015, as restated:	<u>\$ 7,135,128</u>	<u>310,625</u>

Required Supplementary Information

Winterset Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 9,352,483	528,939	9,881,422	11,485,438	11,485,438	(1,604,016)
Intermediate sources	-	-	-	-	-	-
State sources	12,891,211	6,541	12,897,752	11,588,695	11,588,695	1,309,057
Federal sources	512,005	406,203	918,208	779,500	779,500	138,708
Total revenues	22,755,699	941,683	23,697,382	23,853,633	23,853,633	(156,251)
Expenditures:						
Instruction	12,086,928	153,691	12,240,619	13,937,640	13,937,640	1,697,021
Support services	6,184,884	-	6,184,884	6,417,500	6,417,500	232,616
Noninstructional programs	-	781,646	781,646	800,000	800,000	18,354
Other expenditures	2,711,279	-	2,711,279	3,399,457	3,399,457	688,178
Total expenditures	20,983,091	935,337	21,918,428	24,554,597	24,554,597	2,636,169
Excess (deficiency) of revenues over (under) expenditures	1,772,608	6,346	1,778,954	(700,964)	(700,964)	2,479,918
Other financing sources, net	20,483	-	20,483	-	-	20,483
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,793,091	6,346	1,799,437	(700,964)	(700,964)	2,500,401
Balances beginning of year	7,985,243	310,625	8,295,868	4,586,182	4,586,182	3,709,686
Balances end of year	\$ 9,778,334	316,971	10,095,305	3,885,218	3,885,218	6,210,087

See accompanying independent auditor's report.

Winterset Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures did not exceed the District's budget.

Winterset Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
Last Fiscal Year* (In Thousands)
Required Supplementary Information

	2015
District's proportion of the net pension liability	0.165905%
District's proportion of the net pension pension liability	\$ 6,714
District's covered-employee payroll	\$ 10,503
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.92%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Winterset Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years (In Thousands)
Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 1,047	989	961	878	739	754	702	622	546	517
Contributions in relation to the statutorily required contribution	(1,047)	(989)	(961)	(878)	(739)	(754)	(702)	(622)	(546)	(517)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 11,046	10,503	10,504	10,414	10,042	10,668	11,055	10,275	9,499	8,997
Contributions as a percentage of covered-employee payroll	9.48%	9.42%	9.15%	8.43%	7.36%	7.07%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implements the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Winterset Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	July 1, 2010	-	1,144,000	1,144,000	0.0%	9,784,278	11.7%
2014	July 1, 2013	-	806,000	806,000	0.0%	9,929,922	8.1%
2015	July 1, 2013	-	806,000	806,000	0.0%	10,750,790	7.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Winterset Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2015

	Special Revenue Funds		
	Management	Student Activity	Total
Assets			
Cash and pooled investments	\$ 1,686,825	195,030	1,881,855
Receivables:			
Accounts	498	-	498
Intergovernmental	4	670	674
Property tax:			
Current year delinquent	5,555	-	5,555
Succeeding year	328,072	-	328,072
Total assets	\$ 2,020,954	195,700	2,216,654
Liabilities, Deferred Inflows of Resources and Fund Equity			
Liabilities:			
Due to General Fund	\$ -	321	321
Payroll Deductions Payable	\$ 5	-	5
Accounts Payable	-	3,527	3,527
Total liabilities	5	3,848	3,853
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	328,072	-	328,072
Other	-	-	-
Total deferred inflows of resources	328,072	-	328,072
Fund balances:			
Restricted for:			
Management levy purposes	1,692,877	-	1,692,877
Student activities	-	191,852	191,852
Total fund balances	1,692,877	191,852	1,884,729
Total liabilities, deferred inflows of resources and fund equity	\$ 2,020,954	195,700	2,216,654

See accompanying independent auditor's report.

Schedule 2

Winterset Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

Year ended June 30, 2015

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 459,399	-	459,399
Other	11,446	221,702	233,148
State sources	4,174	-	4,174
Total revenues	475,019	221,702	696,721
Expenditures:			
Current:			
Instruction:			
Regular	204,515	-	204,515
Other	-	211,239	211,239
Support Services:			
Administration	14,256	-	14,256
Operation and maintenance of plant	172,815	-	172,815
Student transportation:	39,626	-	39,626
Total expenditures	431,212	211,239	642,451
Excess of revenues over expenditures	43,807	10,463	54,270
Fund balances beginning of year	1,649,070	181,389	1,830,459
Fund balances end of year	\$ 1,692,877	191,852	1,884,729

See accompanying independent auditor's report.

Schedule 3

Winterset Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,998,073	672,597	2,670,670
Receivables:			
Property tax:			
Current year delinquent	-	8,219	8,219
Succeeding year	-	746,309	746,309
Intergovernmental	252,251	40,519	292,770
Residential Building Lots	-	13,700	13,700
Total assets	\$ 2,250,324	1,481,344	3,731,668
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 150,591	-	150,591
Total liabilities	150,591	-	150,591
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	746,309	746,309
Other	-	-	-
Total deferred inflows of resources	-	746,309	746,309
Fund balances:			
Nonspendable for:			
Inventory	-	13,700	13,700
Restricted for:			
Debt service	521,320	-	521,320
School infrastructure	1,578,413	-	1,578,413
Physical plant and equipment	-	721,335	721,335
Total fund balances	2,099,733	735,035	2,834,768
Total liabilities, deferred inflows of resources and fund balances	\$ 2,250,324	1,481,344	3,731,668

See accompanying independent auditor's report.

Schedule 4

Winterset Community School District**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances****Capital Project Accounts****Year ended June 30, 2015**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	731,328	731,328
Other	5,670	83	5,753
State sources	1,598,945	6,266	1,605,211
Total revenues	1,604,615	737,677	2,342,292
Expenditures:			
Instruction:			
Regular	224,264	-	224,264
Support Services:			
Technology	12,541	51,920	64,461
Transportation	203,177	35,895	239,072
Other expenditures:			
Facilities acquisition	560,715	63,542	624,257
Debt service	1,500	-	1,500
Total expenditures	1,002,197	151,357	1,153,554
Deficiency of revenues under expenditures	602,418	586,320	1,188,738
Other financing sources (uses):			
Operating transfers out	(478,888)	-	(478,888)
Total other financing uses	(478,888)	-	(478,888)
Change in fund balances	123,530	586,320	709,850
Fund balances beginning of year	1,976,203	148,715	2,124,918
Fund balances end of year	\$ 2,099,733	735,035	2,834,768

See accompanying independent auditor's report.

Schedule 5

Winterset Community School District
Combining Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 315,205	-	315,205
Accounts receivable	2,990	-	2,990
Intergovernmental receivable	5,973	-	5,973
Inventories	5,925	-	5,925
Total current assets	330,093	-	330,093
Non-current assets:			
Machinery and equipment	280,610	-	280,610
Accumulated depreciation	(253,283)	-	(253,283)
Total non-current assets	27,327	-	27,327
Total assets	357,420	-	357,420
Liabilities			
Current liabilities:			
Accounts payable	20,315	-	20,315
Advances from prepaid lunches	20,134	-	20,134
Total current liabilities	40,449	-	40,449
Total liabilities	40,449	-	40,449
Net Position			
Invested in capital assets	27,327	-	27,327
Unrestricted	289,644	-	289,644
Total Net Position	\$ 316,971	-	316,971

See accompanying independent auditor's report.

Schedule 6

Winterset Community School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2015

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Operating revenue:			
Local sources:			
Other local sources:			
Food service sales	\$ 375,130	-	375,130
Other operating revenue	-	153,691	153,691
Total operating revenues	375,130	153,691	528,821
Operating expenses:			
Instructional programs:			
Instruction			
Services	-	153,186	153,186
Supplies	-	505	505
	-	153,691	153,691
Non-instructional programs:			
Food services operations:			
Services	368,020	-	368,020
Supplies	406,394	-	406,394
Depreciation	7,232	-	7,232
	781,646	-	781,646
Total operating expenses	781,646	153,691	935,337
Operating loss	(406,516)	-	(406,516)
Non-operating revenue:			
Interest on investments	118	-	118
State lunch and breakfast program claims	6,541	-	6,541
National School Lunch Program	283,050	-	283,050
School Breakfast Program	43,474	-	43,474
Summer Food Service Program	14,588	-	14,588
Federal food commodities revenue	65,091	-	65,091
Total non-operating revenues	412,862	-	412,862
Increase in net position	6,346	-	6,346
Net Position beginning of year	310,625	-	310,625
Net Position end of year	\$ 316,971	-	316,971

See accompanying independent auditor's report.

Winterset Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2015

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 389,726	-	389,726
Cash received from miscellaneous operating activities	-	153,691	153,691
Cash payments to suppliers for goods or services	(690,633)	(153,691)	(844,324)
Net cash used by operating activities	(300,907)	-	(300,907)
Cash flows from non-capital financing activities:			
State grants received	6,541	-	6,541
Federal grants received	341,112	-	341,112
Net cash provided by non-capital financing activities	347,653	-	347,653
Cash Flows from capital and related financing activities:			
Acquisition of capital assets	(20,284)	-	(20,284)
Net cash used by capital and related financing activities	(20,284)	-	(20,284)
Cash flows from investing activities:			
Interest on investments	118	-	118
Net increase in cash and cash equivalents	26,580	-	26,580
Cash and cash equivalents at beginning of year	288,625	-	288,625
Cash and cash equivalents at end of year	\$ 315,205	-	315,205
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (406,516)	-	(406,516)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities received	65,091	-	65,091
Depreciation	7,232	-	7,232
Decrease in accounts receivable	6,393	-	6,393
Decrease in intergovernmental receivable	3,861	-	3,861
Decrease in inventories	4,182	-	4,182
Increase in accounts payable	18,690	-	18,690
Increase in advances from prepaid lunches	160	-	160
Net cash used by operating activities	\$ (300,907)	-	(300,907)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash and investments	\$ 315,205	-	315,205
Cash and cash equivalents at year end	\$ 315,205	-	315,205

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received federal commodities valued at \$65,091.

See accompanying independent auditor's report.

Schedule 8

Winterset Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 49,578	30,591	49,578	30,591
Accounts receivable	3,549	5,521	3,549	5,521
Total assets	\$ 53,127	36,112	53,127	36,112
Liabilities				
Liabilities:				
Accounts payable	53,127	36,112	53,127	36,112
Total liabilities	\$ 53,127	36,112	53,127	36,112

See accompanying independent auditor's report.

Schedule 9

Winterset Community School District
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary School:				
Interest	\$ 6	2	-	8
Champs	67	-	67	-
Memory Book	549	2,414	2,431	532
Cheap and Keep	971	541	331	1,181
Middle School:				
Interest	1	1	-	2
Band Resale	481	-	-	481
Cheap and Keep	22	-	-	22
Concessions	1,778	2,718	551	3,945
Husky Buck	303	-	303	-
Champs	8,858	-	4,358	4,500
Field Trips	576	-	576	-
Activity Fund	15,239	150	6,666	8,723
Yearbook	2,861	1,633	3,692	802
Junior High School:				
Interest	6	6	-	12
Magazine Fund	7,530	2,148	400	9,278
Tech Projects	216	-	-	216
Supply Hut	47	-	-	47
Vocal	-	-	-	-
Activity Tickets	2,504	769	1,450	1,823
Uniform	106	-	-	106
Cross Country	101	40	141	-
Boys Basketball	180	1,419	1,535	64
Football	-	1,669	1,481	188
Boys Track Club	3,971	1,582	777	4,776
Wrestling Club	751	1,655	520	1,886
Girls Basketball	-	1,110	1,110	-
Volleyball	591	2,890	1,780	1,701
Girls Track Club	1,013	835	757	1,091
Cheerleaders	877	-	-	877
Yearbook	-	1,285	1,202	83
FBLA	42	-	-	42
Student Council	963	-	95	868
TSA	1,538	90	210	1,418
Troop Connection	85	-	-	85
High School:				
Activity Tickets	1,263	13,236	7,604	6,895
Interest	24	24	-	48
Champs	1,673	-	-	1,673
Concessions	10,394	5,551	8,139	7,806
Pop Machine	588	-	-	588
Play	-	5,726	5,245	481
Forensic	-	1,021	821	200
Vocal	1,915	4,686	3,078	3,523
Band Resale	1,490	1,549	774	2,265
Color Guard	-	749	749	-
Uniforms	-	184	-	184
Weightlifting	-	3,770	2,068	1,702

Schedule 9

Winterset Community School District
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Coed Track	8,076	-	1,572	6,504
Cross Country	2,115	895	2,951	59
Boys Basketball	650	7,716	4,838	3,528
Football	16,122	14,661	17,672	13,111
Boys Soccer	3,242	6,361	4,434	5,169
Baseball	-	4,413	4,413	-
Boys Track Club	981	4,081	1,700	3,362
Golf	469	416	858	27
Boys Drill Team	421	-	421	-
Wrestling Club	8,478	9,607	5,849	12,236
Girls Basketball	2,841	4,370	4,568	2,643
Volleyball	2,566	5,678	4,794	3,450
Girls Soccer	2,939	4,084	3,573	3,450
Softball	75	11,935	11,977	33
Girls Track Club	976	2,677	1,408	2,245
Cheerleaders	2,135	18,544	17,540	3,139
Girls Golf	179	432	607	4
Drill Team	2,454	11,617	11,053	3,018
Class of 2014	5,021	-	5,021	-
Class of 2015	1,558	-	-	1,558
Class of 2016	467	2,169	1,127	1,509
AFS	1,837	473	377	1,933
Boomerang	573	3,604	716	3,461
FBLA	-	10,499	10,499	-
FCCLA	5,080	836	192	5,724
MOC	2,283	410	360	2,333
NHS	550	357	907	-
Pep Club	5,474	-	62	5,412
Renaissance	1,252	-	-	1,252
Science Club	2,905	-	-	2,905
Student Council	3,406	5,001	2,723	5,684
TSA	2,551	3,956	5,993	514
WHS-TV	5,767	830	-	6,597
Y-Teen	3,413	2,117	1,339	4,191
FFA	9,029	21,936	21,433	9,532
Art Club	1,518	2,342	1,287	2,573
Spanish Club	458	-	-	458
WEL Club	1,001	233	64	1,170
Ivy League	2,946	-	-	2,946
Totals	\$ 181,388	221,703	211,239	191,852

See accompanying independent auditor's report.

Winterset Community School District
Schedule of Revenues by Sources and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 8,032,006	9,590,177	9,469,586	9,299,035	9,047,231	7,885,789	6,682,479	5,902,891	6,300,722	5,835,185
Tuition	845,940	929,521	683,985	719,657	591,391	538,865	556,899	620,456	520,618	485,156
Other	474,537	619,455	594,937	455,559	532,149	752,774	744,545	487,229	496,369	406,550
Intermediate sources	-	-	-	-	-	-	868	-	18,010	-
State sources	12,891,211	10,408,387	10,125,246	10,071,017	9,280,912	7,970,449	9,069,606	8,805,764	8,160,837	7,818,846
Federal sources	512,005	518,692	445,940	765,387	806,743	1,486,818	534,599	325,030	310,585	332,412
Total	\$ 22,755,699	22,066,232	21,319,694	21,310,655	20,258,426	18,634,695	17,588,996	16,141,370	15,807,141	14,878,149
Expenditures:										
Instruction:										
Regular	\$ 7,952,517	7,252,273	7,653,132	7,087,937	7,146,751	6,463,818	6,538,800	6,343,446	5,595,747	5,055,208
Special	2,939,566	3,231,339	3,046,604	2,975,804	2,789,079	3,365,948	2,798,107	2,505,110	2,688,086	2,313,143
Other	1,194,845	1,311,884	1,324,043	1,234,415	1,146,983	1,134,170	1,767,816	1,497,926	1,058,067	1,316,851
Support services:										
Student	584,481	582,513	578,516	585,741	533,947	563,984	351,332	449,044	409,289	357,966
Instructional staff	1,407,157	677,298	861,598	1,185,848	616,560	753,321	556,792	628,644	680,880	504,394
Administration	1,557,671	1,462,275	1,378,826	1,404,877	1,445,362	1,556,146	1,854,842	1,282,634	1,195,341	1,110,165
Operation and maintenance of plant	1,638,759	1,772,941	1,603,479	1,556,559	1,468,491	1,522,965	1,501,165	1,470,629	1,299,559	1,345,656
Transportation	996,816	879,328	937,461	885,290	719,247	741,508	700,621	710,525	774,989	774,339
Non-instructional programs	-	-	-	-	-	13,714	11,793	8,654	8,796	11,651
Other expenditures:										
Facilities acquisition	624,257	306,758	1,152,109	2,285,832	5,255,880	9,903,836	3,287,459	665,627	612,179	124,997
Long-term debt:										
Principal	760,000	1,035,000	650,000	580,000	450,000	430,000	620,000	545,000	875,000	830,000
Interest and other charges	643,183	671,959	690,570	712,245	771,818	485,887	445,336	94,390	128,110	160,313
AEA flowthrough	683,839	651,394	627,636	617,057	669,527	663,689	600,552	562,800	522,435	488,789
Total	\$ 20,983,091	19,834,962	20,503,974	21,111,605	23,013,645	27,598,986	21,034,615	16,764,429	15,848,478	14,393,472

See accompanying independent auditor's report.

Winterset Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 14	\$ 43,474
National School Lunch Program	10.555	FY 14	348,141 *
Summer Food Service Program For Children	10.559	FY 14	14,588
			<u>406,203</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 14	<u>197,592</u>
Vocational Education - Basic Grants to States	84.048	FY 14	<u>10,788</u>
Title IIA - Federal Teacher Quality Program	84.367	FY 14	<u>49,123</u>
Grants for State Assessments and Related Activities	84.369	FY 14	<u>8,500</u>
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 14	<u>79,712</u>
Total			<u>\$ 751,918</u>

* - Includes \$65,091 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of Winterset Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Winterset Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winterset Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winterset Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winterset Community School District's Response to Findings

Winterset Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Winterset Community School District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 24, 2015



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**Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Education of Winterset Community School District:

Report on Compliance for Each Major Federal Program

We have audited Winterset Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Winterset Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Winterset Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Winterset Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Winterset Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 24, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required in accordance with the Office of Management and Budget Circular A-133, Section 510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Winterset Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, did not exceed the certified budget amount.
- IV-B-15 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-15 Certified Enrollment – A variance in the basic enrollment data certified to the Iowa Department of Education was noted.
- Recommendation - The certified enrollment data should be corrected.
- Response - We will attempt to correct certified enrollment errors in the future.
- Conclusion - Response accepted.
- IV-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

Winterset Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

- IV-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,976,203
Revenues/transfers in:			
Sales tax revenues	\$	1,598,945	
Other local revenues		5,670	1,604,615
			<u>3,580,818</u>
Expenditures/transfers out:			
School infrastructure construction		560,715	
Equipment		439,982	
Other		1,500	
Transfers to other funds:			
Debt service funds		478,888	1,481,085
			<u>1,481,085</u>
Ending balance		\$	<u>2,099,733</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.